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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

MARC HAGAN, derivatively on
behalf of OSI SYSTEMS, INC.,
Plaintiff,

vs.

DEEPAK CHOPRA, WILLIAM F.
BALLHAUS, JR., DAVID
FEINBERG, STEVEN C. GOOD,
MEYER LUSKIN, and AJAY
MEHRA,

Defendants,

- and -

OSI SYSTEMS, INC., a Delaware
corporation,

Nominal Defendant.

Case No. 2:14-cv-02910

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

DEMAND FOR JURY TRIAL

1 Plaintiff Marc Hagan ("Plaintiff") brings this action on behalf of
2 Nominal Defendant OSI Systems, Inc. ("OSI" or the "Company") against
3 the six members of OSI's Board of Directors (the "Board"), asserting claims
4 for breaches of fiduciary duties (Counts I and II) and unjust enrichment
5 (Count III). Plaintiff alleges the following based upon personal knowledge
6 as to himself and his own acts, and information and belief as to all other
7 matters. Plaintiff's information and belief are based upon his counsel's
8 investigation, which included, among other things, a review of publicly-
9 available documents and information regarding defendants and OSI,
10 conference calls and announcements made by defendants, United States
11 Securities and Exchange Commission ("SEC") filings, wire and press
12 releases published by and regarding OSI, and analysts' reports and
13 advisories about OSI.

14 **NATURE OF THE ACTION**

15 1. This stockholder derivative action concerns breaches of
16 fiduciary duties by the Board and OSI's senior management from October
17 2012 to the present (the "Relevant Period").

18 2. A Delaware corporation headquartered in Hawthorne,
19 California, OSI designs and manufactures electronic systems and
20 components for the homeland security, healthcare, defense, and aerospace
21 markets. During the Relevant Period, defendants caused OSI to
22 disseminate false and misleading information concerning OSI's Rapiscan
23 full body scanners and its contract(s) with the Transportation Security
24 Administration ("TSA") of the United States Department of Homeland
25 Security.

26 3. Defendants' misconduct, specifically their failure to implement
27 and maintain adequate internal controls, led to the cancellation of more
28

1 than \$60 million in contracts with the TSA and the endangerment of any
2 further business with the federal government. These same defendants
3 announced, through an OSI spokesman, that they had prior knowledge of
4 these issues with the Rapiscan machines and had informed the TSA of these
5 problems.

6 4. Incredibly, three of the six members of the Board sold hundreds
7 of thousands of shares of OSI stock before this material information was
8 made public, and while OSI stock was trading at artificially-inflated prices.
9 These three Board members received over \$8 million from these sales.
10 After these Board members unloaded their OSI stock, and once this
11 information was made public, OSI's stock price fell precipitously – more
12 than 30%.

13 5. As a result of defendants' wrongdoing, OSI has been damaged.
14 This action seeks to recover damages and obtain injunctive relief on OSI's
15 behalf.

16 **JURISDICTION AND VENUE**

17 6. Jurisdiction is conferred by 28 U.S.C § 1332. Complete
18 diversity exists among the parties and the amount in controversy exceeds
19 \$75,000, exclusive of interest and costs.

20 7. This Court has jurisdiction over each defendant named herein
21 because each defendant is either a corporation that conducts business in
22 and maintains operations in this District, or is an individual who has
23 sufficient minimum contacts with this District to render the exercise of
24 jurisdiction by the District courts permissible under traditional notions of
25 fair play and substantial justice.

26 8. Venue is proper in this Court in accordance with 28 U.S.C.
27 §1391(a) because:
28

1 (a) OSI maintains its principal place of business in this
2 District;

3 (b) one or more of the Individual Defendants either resides in
4 or maintains executive offices in this District;

5 (c) a substantial portion of the transactions and wrongs set
6 forth below, including the Individual Defendants' primary
7 participation in the wrongful acts, occurred in this District; and

8 (d) defendants have received substantial compensation in
9 this District by doing business here and engaging in numerous
10 activities that had an effect in this District.

11 **THE PARTIES**

12 **I. Plaintiff**

13 9. Plaintiff Marc Hagen is a current shareholder of OSI and has
14 continuously held OSI stock since 2007. Plaintiff is a citizen of
15 Washington.

16 **II. Nominal Defendant**

17 10. Nominal Defendant OSI Systems, Inc. is a Delaware
18 corporation, with its principal executive offices at 12525 Chadron Avenue,
19 Hawthorne, California. OSI's common stock is traded on the NasdaqGS
20 exchange under the symbol "OSIS." OSI is a citizen of California and
21 Delaware.

22 **III. The Individual Defendants**

23 11. Defendant Deepak Chopra ("Chopra") founded OSI and
24 currently serves as Chairman and Chief Executive Officer ("CEO") and has
25 been a director of OSI since 1992. According to OSI's website:

26 Mr. Chopra also serves as the Chief Executive
27 Officer of our major subsidiaries. From 1976 to
28 1979 and from 1980 to 1987, Mr. Chopra held

1 various positions with ILC Technology, Inc., a
2 publicly traded manufacturer of lighting products,
3 including serving as Chairman, Chief Executive
4 Officer, President and Chief Operating Officer of its
5 United Detector Technology division. Mr. Chopra
6 has also held various positions with Intel
7 Corporation, TRW Semiconductors and RCA
8 Semiconductors. Mr. Chopra holds a Bachelor of
9 Science degree in Electronics and a Master of
10 Science degree in Semiconductor Electronics.

11 On information and belief, Chopra is a citizen of California.

12 12. Defendant William F. Ballhaus, Jr. ("Ballhaus") has served on
13 the OSI Board since May 2010. Ballhaus is a member of the Audit and
14 Compensation Committees. According to OSI's website:

15 William F. Ballhaus, Jr. has served as a Director of
16 the Company since May 2010. From 2000 to 2007,
17 Dr. Ballhaus, now retired, served as President and
18 then also as Chief Executive Officer of Aerospace
19 Corporation, an organization dedicated to the
20 application of science and technology to the solution
21 of critical issues in the nation's space program.
22 Between 1990 and 2000, Dr. Ballhaus' career
23 included positions within the aerospace industry,
24 including Corporate Vice President, Engineering
25 and Technology for Lockheed Martin Corporation
26 and President, Aero and Naval Systems and
27 President, Civil Space & Communications, both for
28 Martin Marietta. Between 1971 and 1989, Dr.
Ballhaus worked for the National Aeronautics and
Space Administration (NASA), including as Director
of its Ames Research Center. Dr. Ballhaus serves on
the Board of Directors of Draper Laboratory. Dr.
Ballhaus has extensive risk management experience
gained through the various executive and board
positions that he has held. Dr. Ballhaus, who has
published more than 40 papers on computational
aerodynamics, obtained a Ph.D. in Engineering in
1971 and a BS and MS in Mechanical Engineering in

1 1967 and 1968, all from the University of California
2 at Berkeley.

3 Upon information and believe, Ballhaus is a citizen of California.

4 13. Defendant David Feinberg ("Feinberg") has served on the OSI
5 Board since March 2010. Feinberg serves as Chair of the Nominating and
6 Governance Committee. According to OSI's website:

7 David T. Feinberg has served as a Director of the
8 Company since March 2010. Dr. Feinberg has
9 served as the President of the UCLA Health System
10 since July 2011 and as Chief Executive Officer of the
11 UCLA Hospital System and Associate Vice
12 Chancellor since July 2007. Prior to assuming these
13 positions, Dr. Feinberg was the medical director of
14 the Resnick Neuropsychiatric Hospital (NPH) at
15 UCLA. Dr. Feinberg is board certified in the
16 specialties of child and adolescent psychiatry, adult
17 psychiatry and addiction psychiatry. He is a
18 professor of clinical psychiatry in the David Geffen
19 School of Medicine at UCLA. Dr. Feinberg currently
20 serves on the Board of Directors of Douglas
21 Emmett, Inc., a publicly-held Real Estate
22 Investment Trust listed on the New York Stock
23 Exchange. Dr. Feinberg graduated cum laude in
24 economics from the University of California,
25 Berkeley in 1984 and graduated with distinction
26 from the University of Health Sciences/The Chicago
27 Medical School in 1989. He earned his master of
28 business administration from Pepperdine
University in 2002.

On information and belief, Feinberg is a citizen of California.

14. Defendant Steven C. Good ("Good") is a current director and
has served on the Board since September 1987. Good serves as the Chair of
the Audit Committee and as a member of the Compensation Committee,
the Nominating and Governance Committee and the Executive Committee.
According to OSI's website:

1 Steven C. Good has served as a Director of the
2 Company since September 1987. He has been a
3 consultant for the accounting firm of Cohn Reznick
4 LLP since February 2010. Mr. Good founded the
5 accounting firm of Good, Swartz, Brown & Berns
6 (predecessor of Cohn Reznick LLP) in 1976 and
7 served as an active partner until February 2010. He
8 has been active in consulting and advisory services
9 for businesses in various sectors, including the
10 manufacturing, garment, medical services and real
11 estate development industries. Mr. Good founded
12 California United Bancorp and served as its
13 Chairman through 1993. From 1997 until the
14 company was sold in 2006, Mr. Good served as a
15 Director of Arden Realty Group, Inc., a publicly-
16 held Real Estate Investment Trust listed on the New
17 York Stock Exchange. Mr. Good currently serves as
18 a Director of Kayne Anderson MLP Investment
19 Company and Kayne Anderson Energy Total Return
20 Fund, each of which is listed on the New York Stock
21 Exchange. Mr. Good also currently serves as a
22 Director of Rexford Industrial Realty, Inc., a
23 publicly-held Real Estate Investment Trust listed on
24 the New York Stock Exchange. He also formerly
25 served as a Director of California Pizza Kitchen, Inc.
26 from 2005 to 2008, Youbet.com from 2006 to
27 2008, and the Walking Company Holdings, Inc.
28 from 1997 to 2009. Mr. Good has extensive risk
management experience gained through the various
executive and board positions that he has held. Mr.
Good holds a Bachelor of Science degree in Business
Administration from the University of California,
Los Angeles and attended its Graduate School of
Business.

On information and belief, Good is a citizen of California.

15. Defendant Meyer Luskin ("Luskin") is a current director and
has served on the Board since February 1990. Luskin serves as the
Chairman of the Compensation Committee and serves on the Audit

1 Committee, the Nominating and Governance Committee and the Executive
2 Committee. According to OSI's website:

3 Meyer Luskin has served as a Director of the
4 Company since February 1990. Since 1958, Mr.
5 Luskin has served as a Director of Scope Industries,
6 which is engaged principally in the business of
7 recycling and processing food waste products into
8 animal feed and has also served as its President,
9 Chief Executive Officer and Chairman since 1961.
10 He currently serves on the Board of Advisors of the
11 Santa Monica – UCLA Medical Center and
12 Orthopaedic Hospital and was formerly the
13 Chairman. Mr. Luskin is also a Director of the
14 Orthopaedic Institute for Children (previously
15 known as the Los Angeles Orthopaedic Hospital)
16 and was formerly the Chairman. Mr. Luskin is also
17 a Director on the Advisory Board of the UCLA
18 Luskin School of Public Affairs, a Director of the
19 UCLA Foundation, a Director of the Alliance for
20 College-Ready Public Schools, and a Director of the
21 Jazz Bakery. Mr. Luskin also served as a Director of
22 Myricom, Inc., a computer and network
23 infrastructure company. Mr. Luskin has extensive
24 risk management experience gained through the
25 various executive and board positions that he has
26 held. Mr. Luskin holds a Bachelor of Arts degree
27 from the University of California, Los Angeles and a
28 Masters in Business Administration from Stanford
University.

21 On information and belief, Luskin is a citizen of California.

22 16. Defendant Ajay Mehra ("Mehra") is a current director and has
23 served on the Board since 1996. Mehra is Executive Vice President of OSI
24 and President of the Rapiscan Systems division. According to OSI's
25 website:

26 Mr. Mehra joined our company as Controller in
27 1989 and served as Vice President and Chief
28 Financial Officer from November 1992 until

1 November 2002, when he was named Executive
 2 Vice President. Mr. Mehra became a member of our
 3 Board of Directors in March 1996. Prior to joining
 4 our company, Mr. Mehra held various financial
 5 positions with Thermador/Waste King, a household
 6 appliance company, Presto Food Products, Inc. and
 7 United Detector Technology. Mr. Mehra holds a
 8 Bachelor of Arts degree from the School of Business
 of the University of Massachusetts, Amherst and a
 Master of Business Administration degree from
 Pepperdine University.

9 On information and belief, Mehra is a citizen of California.

10 17. Chopra, Mehra, Ballhaus, Feinberg, Good and Luskin are
 11 collectively referred to as the "Individual Defendants."

12 **THE INDIVIDUAL DEFENDANTS' DUTIES**

13 18. By reason of their positions as officers and/or directors of the
 14 Company and because of their ability to control the business and corporate
 15 affairs of the Company, the Individual Defendants owed the Company and
 16 its shareholders the fiduciary obligations of good faith, loyalty and candor,
 17 and were and are required to use their utmost ability to control and manage
 18 the Company in a fair, just, honest and equitable manner. The Individual
 19 Defendants were and are required to act in furtherance of the best interests
 20 of the Company and its shareholders so as to benefit all shareholders
 21 equally and not in furtherance of their personal interest or benefit. Each
 22 director and officer of the Company owes to the Company and its
 23 shareholders the fiduciary duty to exercise good faith and diligence in the
 24 administration of the affairs of the Company and in the use and
 25 preservation of its property and assets, and the highest obligations of fair
 26 dealing.

27 19. To discharge their duties, the officers and directors of the
 28 Company were required to exercise reasonable and prudent supervision

over the management, policies, practices and controls of the Company. By virtue of such duties, the Individual Defendants were required to, among other things:

(a) exercise good faith to ensure that the affairs of the Company were conducted in an efficient, businesslike manner so as to make it possible to provide the highest quality performance of its business;

(b) exercise good faith to ensure that the Company was operated in a diligent, honest and prudent manner and complied with all applicable federal and state laws, rules, regulations and requirements, and all contractual obligations, including acting only within the scope of its legal authority;

(c) refrain from wasting OSI's assets;

(d) refrain from unduly benefiting themselves and other Company insiders at the expense of the Company; and

(e) properly disclose all material information regarding the Company, required by applicable state and federal laws and/or their relevant duties, to OSI's shareholders.

CONTROL, ACCESS, AND AUTHORITY

20. The Individual Defendants, because of their positions of control and authority, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by OSI.

21. Because of their advisory, executive, managerial, and directorial positions with OSI, each of the Individual Defendants had access to adverse, non-public information about the financial condition, operations, and improper representations of OSI.

1 22. Each of the Individual Defendants was the agent of each of the
2 other defendants and of OSI, and was at all times acting within the course
3 and scope of such agency.

4 **CONSPIRACY, AIDING AND ABETTING,**
5 **AND CONCERTED ACTION**

6 23. In committing the wrongful acts alleged herein, the Individual
7 Defendants have pursued, or joined in the pursuit of, a common course of
8 conduct, and have acted in concert with and conspired with one another in
9 furtherance of their wrongdoing. The Individual Defendants further aided
10 and abetted and/or assisted each other in breaching their respective duties.

11 24. During all times relevant hereto, the Individual Defendants
12 collectively and individually initiated a course of conduct that was designed
13 to and did conceal the fact that:

14 (a) the Company was improperly recording revenue,
15 including the creation of non-existent revenue and booking revenue
16 in the earlier period than it was earned;

17 (b) as a result, OSI's revenue and financial results were
18 overstated;

19 (c) OSI's financial statements were not prepared in
20 accordance with generally accepted accounting principles ("GAAP");

21 (d) the Company lacked adequate internal and financial
22 controls; and

23 (e) as a result of the foregoing, OSI's financial statements
24 were materially false or misleading at all relevant times. In
25 furtherance of this plan, conspiracy, and course of conduct,
26 defendants collectively and individually took the actions set forth
27 herein.
28

1 25. The Individual Defendants engaged in a conspiracy, common
2 enterprise, and/or common course of conduct. During this time, the
3 Individual Defendants caused the Company to issue false or misleading
4 financial results based upon non-existent revenue or based on revenue that
5 was improperly recorded in the earlier period than it was earned.

6 26. The purpose and effect of the Individual Defendants'
7 conspiracy, common enterprise, and/or common course of conduct was,
8 among other things, to: (a) disguise the Individual Defendants' violations
9 of law, including breaches of fiduciary duty, and unjust enrichment; and (b)
10 disguise and misrepresent OSI's future business prospects.

11 27. The Individual Defendants accomplished their conspiracy,
12 common enterprise, and/or common course of conduct by causing the
13 Company to falsely represent that the Company had adequate internal
14 controls in place, and by purposefully, recklessly, or negligently causing the
15 Company to release improper statements. Because the actions described
16 herein occurred under the authority of the Board, each of the Individual
17 Defendants was a direct, necessary, and substantial participant in the
18 conspiracy, common enterprise, and/or common course of conduct
19 complained of herein.

20 28. Each of Defendants aided and abetted and rendered substantial
21 assistance in the wrongs complained of herein. In taking such actions to
22 substantially assist the commissions of the wrongdoing complained of
23 herein, each Individual Defendant acted with knowledge of the primary
24 wrongdoing, substantially assisted the accomplishment of that wrongdoing,
25 and was aware of his or her overall contribution to and furtherance of the
26 wrongdoing.

27 ///

SUBSTATIVE ALLEGATIONS

I. OSI and the Rapiscan Product

29. OSI, together with its subsidiaries, is a vertically-integrated designer and manufacturer of specialized electronic systems and components for “critical” applications. OSI sell products and provide related services in diversified markets, including homeland security, healthcare, defense and aerospace.

30. OSI has three operating divisions:

(a) *the Security division*, which provides security and inspection systems, turnkey security screening solutions and related services;

(b) *the Healthcare division*, which provides patient monitoring, diagnostic cardiology and anesthesia systems; and

(c) *the Optoelectronics and Manufacturing division*, which provides specialized electronic components and electronic manufacturing services for the Security and Healthcare divisions, as well as to external original equipment manufacturer clients for applications in the defense, aerospace, medical and industrial markets, among others.

31. According to OSI’s 2013 Annual Report on Form 10-K, which was signed by all Individual Defendants, the Security division, and particularly the Rapiscan machines are of critical importance to OSI:

Through our Security division, we design, manufacture, market and service security and inspection systems under the “Rapiscan Systems” trade name. Rapiscan Systems products fall into four categories—baggage and parcel inspection; cargo and vehicle inspection; hold (checked) baggage screening; and people screening. They are used to search for weapons, explosives, drugs and

1 other contraband as well as for the safe, accurate
2 and efficient verification of cargo manifests for the
3 purpose of assessing duties and monitoring the
export and import of controlled materials.

4 32. In fiscal 2012, the Security Division revenues amounted to
5 \$391.8 million, or approximately 49% of our revenues. This is by far the
6 largest division at OSI. The Rapiscan division is so important that OSI's
7 Form 10-K contains a specific risk disclosure regarding its importance to
8 the Company:

9 Sales of security and inspection systems and
10 turnkey security screening solutions often depend
11 upon the decision of governmental agencies to
12 upgrade or expand existing airports, border crossing
13 inspection sites, seaport inspection sites, military
14 facilities and other security installations. In the case
15 of turnkey security screening solutions, the
16 commencement of screening operations may be
dependent on the approval, by a government
agency, of the protocols and procedures that our
personnel are to follow during the performance of
their activities.

17 33. Given the fact that the Security Division represents
18 approximately half of OSI's revenues, it is no surprise that Rapiscan-related
19 issues would be of vital interest to the Company and its shareholders.

20 **II. October 23, 2012 Conference Call**

21 34. On October 23, 2012, the Individual Defendants hosted a
22 conference call for analysts and investors to discuss OSI's earnings and
23 prospects. During the question and answer session of the conference call,
24 Defendant Chopra and non-parties Alan Edrick (Executive Vice President
25 and CFO) and Victor Sze (Executive Vice President, General Counsel and
26 Corporate Secretary) participated in the call with outside analysts.

1 Defendant Chopra highlighted the Rapiscan business in his opening
2 comments:

3 ***Within the highlights for the quarter***
4 ***starting with our Security division,***
5 ***Rapiscan revenue has increased 14% to \$83***
6 ***million.*** During the quarter, we had many key
accomplishments that should serve as seats for
future growth.

7
8 Highlighting few of these activities, Rapiscan's 620
Dual View baggage and parcel inspection system
9 received the European Standard 2 approval for
10 threat detection of liquid explosives. The 620 DV
can differentiate between threatening and benign
11 liquids.

12 ***I should note here that the 620 DV has also***
13 ***been approved for use by the UK's***
14 ***Department of Transport and the TSA in the***
15 ***U.S. for both aviation checkpoint screening***
16 ***and air cargo screening.*** As mentioned earlier,
we have the broadest product portfolio for air cargo
screening compared to any of our competitors.

17
18 620 ***DV's*** are in other applications also such as
military checkpoints, customs, and boarder security.
19 620 DV is a part of a board portfolio of checkpoint
20 screening solutions that we provide our customers
to secure aviation and other critical or structure
21 security.

22 [Emphasis added.]

23 35. In the months preceding this call, OSI's stock traded steadily
24 between approximately \$70 and \$80 per share.

25 **III. November 14, 2012 Bloomberg Article**

26 36. On November 14, 2012, after the market closed, Bloomberg
27 News reported that Congressman Mike Rogers, Chairman of the House
28

1 Transportation Security Subcommittee sent a letter dated November 13,
2 2012 to Transportation Securities Administration chief John Pistole saying
3 that a supplier of passenger- scanning machines in United States airports
4 “may have attempted to defraud the government by knowingly
5 manipulating an operational test” by falsifying tests of software intended to
6 stop the machines from recording graphic images of travelers. The article
7 by Bloomberg News further disclosed the following:

8 OSI Systems Inc. (OSIS)’s Rapiscan unit, one of two
9 suppliers of body-scanning machines in U.S.
10 airports, may have falsified tests of software
11 intended to stop the machines from recording
12 graphic images of travelers, a U.S. lawmaker said.

13 ***The company “may have attempted to***
14 ***defraud the government by knowingly***
15 ***manipulating an operational test,”***

16 Representative Mike Rogers, chairman of the House
17 Transportation Security Subcommittee, said in a
18 letter to Transportation Security Administration
19 chief John Pistole Nov. 13. Rogers said his
20 committee received a tip about the faked tests.

21 Rapiscan, in a statement today, said it couldn’t have
22 manipulated testing because those processes were
23 controlled by the government. “At no time did
24 Rapiscan falsify test data or any information related
25 to this technology or the test,” Peter Kant, an
26 executive vice president with the company, said in
27 an interview yesterday.

28 While Rogers’ letter doesn’t identify the company,
his spokesman, Shea Snider, confirmed in an e-mail
that he was referring to Rapiscan.

OSI fell \$22.97, or 30 percent, to \$53.32 at 3:37
p.m., the biggest intraday decline since December
2000. More than 4.4 million shares had changed
hands, about 40 times the three-month daily
average.

1 The TSA accelerated the use of advanced scanners
2 in 2010, following the Dec. 25, 2009, attempt by
3 Umar Farouk Abdulmutallab to blow up a
4 Northwest Airlines flight by igniting explosives in
5 his underpants. It's used two vendors: Rapiscan,
6 whose backscatter machines use a form of X-rays,
7 and L-3 Communications Holdings Inc., (LLL)
8 which features another imaging technology known
9 as millimeter-wave.

10 Airline passengers were offended by the revealing
11 images, including those of children and the elderly,
12 and the TSA moved its screens to separate rooms
13 away from the checkpoints so the scans couldn't be
14 seen by the public. If TSA agents spot an image that
15 looks like a weapon or an explosive, they
16 communicate by radio with screeners at the security
17 lines about where to search.

18 The Electronic Privacy Information Center sued the
19 agency, calling use of the machines the equivalent of
20 a "physically invasive strip search."

21 Rapiscan has been trying, without success, to write
22 software that would display a generic image. L-3
23 has been able to produce such software.

24 TSA has said passengers who don't want to go
25 through the scanners can opt for a pat-down
26 instead. That option has also generated criticism
27 from the public and members of Congress as being
28 excessively invasive.

The European Union banned backscatter machines
in November 2011, citing health risks from low
doses of radiation. TSA says the machines expose
passengers to less radiation than they receive from
the atmosphere during a flight.

If wrongdoing is proven on the government
contracts, Rapiscan could face fines, prison terms
and a ban on government contracting, said Dan
Gordon, former head of federal procurement for
President Barack Obama's administration.

1 ***“Fake test results are incredibly serious,”***
2 ***said Gordon, now a dean at George***
3 ***Washington University Law School in***
4 ***Washington. “Every false statement is a***
criminal act, sending someone in that
company to jail.”

5 TSA relied on a third-party vendor rather than
6 Rapiscan to verify the technology, so the agency
7 may be attempting to find a scapegoat for a poorly
8 managed program, Rogers said at a hearing today.

9 The Alabama Republican, who has oversight of TSA
10 operations, said the agency first indicated it was
11 moving Rapiscan machines to smaller airports, then
12 couldn’t produce a list of airports. The agency is
13 moving 91 units worth \$14 million to a warehouse
14 instead of redeploying them, Rogers said.

15 The TSA has 174 backscatter machines, David
16 Castelveter, a TSA spokesman, said.

17 “It appears we not only have a technology problem,
18 but a significant transparency problem on our
19 hands,” Rogers said.

20 The TSA intends to keep the machines in a
21 warehouse until the privacy-protection software
22 works, John Sanders, assistant administrator for the
23 agency’s office of security capabilities, said at the
24 hearing.

25 Sanders said the agency doesn’t have evidence that
26 tests on the backscatter machines were
27 manipulated.

28 “At this point we don’t know what has occurred,”
Sanders said. “We are in contact with the vendor.
We are working with them to get to the bottom of
it.”

TSA has spent about \$40 million on backscatter
machines to date, Sanders said. It has spent about
\$100 million on 600 millimeter-wave machines.

Kant said Rapiscan received a so-called show-cause
letter from the TSA on Nov. 9 seeking detailed

1 information about the testing of technology used in
2 the machines.

3 ***Rapiscan became aware of an issue related***
4 ***to software under development months ago***
5 ***and promptly notified the TSA, Kant said.***

6 The company is fully cooperating with the agency's
7 investigation, which doesn't relate to software that
8 detects anomalies on passengers' bodies, Kant said.
9 Passenger safety was never affected, he said.

10 Show-cause letters are sent when the government
11 believes a contractor isn't complying with terms,
12 said Gordon, the former federal procurement
13 administrator. It's a last chance for the company to
14 demonstrate it hasn't violated the contract, he said.

15 Show-cause letters are rare because most
16 contractors try hard to meet the government's
17 requirements, Gordon said. Companies that default
18 on contracts may have a difficult time winning
19 business again from that agency or other parts of
20 the government, he said.

21 The TSA recently said it was relocating Rapiscan
22 machines from seven larger, busier airports to
23 smaller ones.

24 The change related to extra time it takes for
25 passengers to be scanned with the backscatter
26 machines, not any doubts about whether the
27 technology works, Pistole told reporters at a news
28 conference in Washington Nov. 13. Backscatter
machines require staff in a separate room to look at
the images and radio back to an officer at the
checkpoint if extra screening is needed, he said.

TSA believes backscatter technology is still effective
in finding non-metallic objects, Pistole said.

"We originally went with two companies to help
drive competition and try to get to the next level of
detection with the best possible performance,"
Pistole said. "We're still committed to doing that."

1 TSA has contracted for increasing levels of detection
2 and other efficiency and privacy enhancements,
3 Castelveter said in a statement yesterday.

4 “We fully expect our vendors to deliver on their
5 commitments, and are working with them to that
6 end within the federal contracting process,”
7 Castelveter said.

8 [Emphasis added.]

9 37. The market’s reaction to this news was swift. OSI common
10 stock closed at \$76.29 on November 14, 2012, the trading day prior to this
11 news article. The following day, OSI common stock plummeted
12 approximately 30% to close at \$54.89 on a volume of more than 4.4 million
13 shares traded. This was approximately 40 times the trailing three month
14 daily average volume and represented a market cap loss of more than \$100
15 million.

16 38. The Individual Defendants responded by issuing a press release
17 on November 15, 2012, which was filed with the SEC on Form 8-K (signed
18 by non-party Alan Edrick):

19 OSI Systems, Inc. (NASDAQ: OSIS), a vertically-
20 integrated provider of specialized electronics and
21 services, announced today that on November 9,
22 2012 Rapiscan Systems, its Security division, was
23 delivered a show cause letter from the U.S.
24 Transportation Security Administration (TSA). The
25 letter, which pertains to a privacy system Rapiscan
26 was developing under contract for the TSA, alleges
27 that Rapiscan did not disclose issues related to the
28 development process in a timely or complete
manner. Contrary to some press reports, Rapiscan
did not falsify test data; in fact, TSA testimony to
Congress today confirms that this was at all times a
government controlled test and that Rapiscan could
not have manipulated any test data.

* * *

Furthermore, the evidence shows that Rapiscan delivered for testing the exact configuration previously disclosed to TSA and which TSA had approved. "At no time did Rapiscan Systems falsify test data or engage in any fraudulent conduct," OSI Systems President and CEO, Deepak Chopra, commented. "We take the matter very seriously and are fully cooperating with the TSA during this process."

IV. January 24, 2013 Conference Call

39. Defendant Chopra gave short shrift to this issue with Rapiscan in the next regularly scheduled call with analysts on January 24, 2013, attended by Chopra and non-parties Alan Edrick and others:

First as you know Rapiscan Systems received a show cause letter from the TSA in November. We believe we have clarified all of the questions in the show cause letter to TSA. The final resolution of the show cause letter is subject to final disposition by the Department of Homeland Security and the company is currently working diligently to complete that process.

V. June 21, 2013 8-K

40. On June 21, 2013, the Individual Defendants caused to be filed with the SEC a Form 8-K (signed by non-party Victor Sze), disclosing:

On June 21, 2013, OSI Systems, Inc. subsidiaries Rapiscan Systems, Inc. and Rapiscan Government Services, Inc. (collectively, "Rapiscan") entered into a 30-month Administrative Agreement (the "Agreement") with the Department of Homeland Security ("DHS"). The Agreement resolves the May 17, 2013 DHS Notice of Proposed Debarment and automatic suspension of Rapiscan that became effective May 20, 2013. ***Rapiscan can continue its current and future business with United States federal government agencies.***

Pursuant to the terms of the Agreement, Rapiscan has agreed to certain compliance upgrades and organizational improvements, including maintenance of a robust compliance program. Rapiscan has also made certain personnel changes and has created additional positions dedicated to government contracting compliance and administration, corporate compliance, and quality assurance. Further, for the duration of the term of the Agreement, Rapiscan has agreed to the continued review of its compliance and ethics program, including the retention by Rapiscan of an independent consultant to perform semi-annual assessments of its compliance policies, procedures, and practices. Rapiscan has also agreed to additional DHS reporting requirements.

[Emphasis added.]

41. With Defendant Chopra's assurances that OSI was "working" to remedy the issues TSA had with Rapiscan, and with the above Form 8-K's statement that Rapiscan would "continue its current and future business with the United States federal government," OSI's stock price gradually recovered from the massive decline. By July 23, 2013, OSI's stock price had risen above \$70 per share. However, the problems with Rapiscan, Rapiscan management, and related internal controls were not solved.

VI. December 6, 2013 Form 8-K

42. On December 6, 2013, the Individual Defendants caused to be filed with the SEC a Form 8-K (signed by non-party Alan Edrick), which stated:

On December 5, 2013, OSI Systems, Inc. announced that its security division subsidiary, Rapiscan Systems, Inc. ("Rapiscan") was notified by the U.S. Transportation Security Administration (TSA) that a delivery order placed with Rapiscan on September 26, 2013 for Advanced Technology X-Ray (AT-2)

1 based systems was being terminated for default. As
2 a result, the Company has de-booked this order
3 which had a value of approximately \$60 million.

4 43. Shortly thereafter, on December 9, 2013, *Bloomberg News*
5 published an article which discussed these additional problems with
6 Rapiscan and TSA's abrupt cancellation of a \$60 million order. The article
7 by *Bloomberg News* further disclosed the following in relevant part:

8 OSI Systems Inc. (OSIS:US) fell (OSIS:US) as much
9 as 40 percent, the biggest intraday drop ever, after
10 lawmakers said the company may face a ban on U.S.
11 contracts for using unapproved Chinese-made parts
12 in baggage-screening equipment.

13 The disclosure came after the Transportation
14 Security Administration canceled a \$60 million
15 order last week. The TSA has resumed an effort to
16 bar OSI's Rapiscan Systems unit from future
17 contracts, Representatives Michael McCaul, a Texas
18 Republican, and Bennie Thompson, a Mississippi
19 Democrat, said in a letter dated Dec. 6.

20 "TSA has strict requirements that all vendors must
21 meet for security effectiveness and efficiency and
22 does not tolerate any violation of contract
23 obligations," David Castelveter, a spokesman, said
24 in an e-mail. "TSA is responsible for the safety and
25 security of the nearly two million travelers screened
26 each day."

27 Shares fell (OSIS:US) 26.8 percent to \$47.38 at 4
28 p.m. in New York. Earlier, they were at \$39.00,
lowest since October 2011. Trading volume was
7.94 million shares, 60 times the three-month
average.

OSI's security division, which includes its work for
the TSA, generated 46 percent of the company's
revenue in the last fiscal year, according to a 10-K
filing dated Aug. 16.

1 The contract raises questions about whether the
2 unapproved component made the Rapiscan
3 machines vulnerable to sabotage or espionage, the
4 lawmakers said. The House Homeland Security
5 Committee, as part of a congressional investigation,
6 asked the TSA for documents relating to
7 communications between the company and the
8 government.

9 Ajay Vashishat, OSI Systems' vice president for
10 business development, didn't respond to an e-mail
11 and phone call seeking comment.

12 A part in the machines made under the canceled
13 contract was manufactured in China, OSI Systems
14 said in a news release today explaining why the TSA
15 ended an order signed less than three months ago.

16 OSI Systems, based in Hawthorne, California, said
17 the company didn't get TSA's approval for the part,
18 violating its contract. The part made by Shanghai
19 Advanced Non-Destructive Testing was "effectively
20 an X-ray light bulb" and didn't contain software,
21 Chief Executive Officer Deepak Chopra said in the
22 statement.

23 TSA is in the process of completing a thorough
24 review in advance of a final decision on proceeding
25 with debarment, Castelveter said. The agency will
26 respond directly to the lawmakers, he said.

27 The equipment in the canceled contract isn't used to
28 physically screen passengers, Castelveter said. The
agency hasn't identified any degradation of security
or impact on operational performance from the
Rapiscan violations, he said.

Rapiscan averted debarment by the Department of
Homeland Security last year over accusations it
misled the TSA about testing of updated body-

1 scanning machines. The company, in its 10-K, said
 2 Homeland Security could start debarment
 3 proceedings again if Rapiscan failed to live up to an
 agreement signed in June.

4 OSI had hundreds of the body-scanning machines
 5 removed from U.S. airports earlier this year after
 6 the TSA concluded the company couldn't meet a
 7 congressional deadline to make their revealing
 images more generic.

8 The company in June agreed with Homeland
 9 Security officials to hire new executives and reassign
 10 five senior managers. Rapiscan denied accusations
 11 by Representative Mike Rogers, an Alabama
 Republican, that it fabricated software tests.

12 Since fiscal 2009, OSI Systems has received \$463
 13 million in U.S. government contracts, according to
 14 data compiled by Bloomberg. The company
 15 received \$267 million in Department of Homeland
 Security work over the same period.

16 44. The market's reaction to this news was significant. OSI
 17 common stock closed at \$71.72 on December 5, 2013. By December 9,
 18 2013, OSI stock was down to \$47.38, or more than 40%.

19 45. Accordingly, the Company has been damaged.

20 **VII. Insider Trading**

21 46. Based on the material, non-public information that OSI had
 22 serious, ongoing problems relating to its Rapiscan machines and the TSA,
 23 several Board members sold OSI common stock while at or near record
 24 high prices:

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Name	Title	Trade Date	Shares Sold	Sale Price	Gross Proceeds
Defendant Deepak Chopra	President and CEO, Board member	9/10/12	5,198	\$74.25	\$385,952
		9/4/12	15,196	\$73.79	\$1,121,313
		8/14/12-8/15/12	45,681	\$73.43	\$3,354,356
				TOTAL:	\$4,861,621
Defendant Ajay Mehra	Rapiscan President and Board Member	9/6/12	3,750	\$73.88	\$277,050
		9/5/12	5,997	\$73.91	\$443,238
		8/16/12	27,053	\$73.43	\$1,986,502
				TOTAL:	\$2,706,790
Defendant Steven Good	Board Member	8/30/12	1,000	\$73.50	\$73,500
		8/14/12	5,437	\$73.79	\$401,196
				TOTAL:	\$474,696
		Grand Total:	109,312		\$8,043,107

47. These stock sales are particularly egregious given that Defendants admitted that they were aware of the ongoing issues with the Rapiscan devices “months” before they were “outed” by *Bloomberg News* on November 14, 2012. The sales above are all within two months of this disclosure and the huge, 30% drop in OSI’s stock price. The above three

1 Board members had access to this inside information, yet nevertheless sold
2 more than one-hundred thousand shares of stock for proceeds of more than
3 \$8 million. If these defendants had waited until the material, inside
4 information was known, their sales would have netted them millions less
5 than they received.

6 48. As a result, Defendants Chopra, Mehra, and Good have been
7 unjustly enriched through their breaches of fiduciary duties.

8 **DAMAGES TO OSI**

9 49. OSI has been, and will continue to be, severely damaged and
10 injured by the Individual Defendants' misconduct.

11 50. As a direct and proximate result of the Individual Defendants'
12 misconduct, OSI has expended and will continue to expend significant
13 sums of money. Such expenditures include, but are not limited to:

14 (a) legal fees associated with the lawsuits filed against OSI for
15 violations of the federal securities laws;

16 (b) loss of reputation and goodwill, and a "liar's discount"
17 that will plague OSI's stock in the future due to the Individual
18 Defendants' false statements and lack of candor to the marketplace;

19 (c) amounts paid to outside lawyers, accountants, and
20 investigators in connection with any internal investigations; and

21 (d) loss of revenues and profits.

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DERIVATIVE AND DEMAND ALLEGATIONS

1 51. Plaintiff brings this action derivatively in the right and for the
2 benefit of OSI to redress the breaches of fiduciary duties and other
3 violations of law by the Individual Defendants. OSI is named as a nominal
4 defendant solely in a derivative capacity. This is not a collusive action to
5 confer jurisdiction on this Court that it would not otherwise have.

6 52. Plaintiff will adequately and fairly represent the interests of OSI
7 and its shareholders in enforcing and prosecuting its rights.

8 53. Plaintiff is and was an owner of OSI common stock during the
9 Relevant Period when Individual Defendants' wrongful course of conduct
10 alleged herein occurred, and remains a stockholder of the Company

11 54. At the time this complaint was filed, the Board consisted of the
12 following six individuals: Defendants Chopra, Ballhaus, Feinberg, Good,
13 Luskin and Mehra.

14 55. Because of their Board membership and/or executive positions
15 with the Company, the Individual Defendants had access to the undisclosed
16 information about OSI's ongoing issues with its Rapiscan machines and the
17 related issues with its TSA contracts.

18 56. The Individual Defendants face a substantial likelihood of
19 personal liability in this action, *inter alia*:

20 (a) as a result of their failure, as directors and/or officers of
21 OSI, to assure that a reliable system of internal controls was in place
22 and functioning effectively;

23 (b) for their failure to assure that a reliable disclosure system
24 was in place and functioning effectively;

25 (c) for their violations of federal securities laws; and

26 (d) for their illicit insider trading proceeds.
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1 57. The Board was on notice that TSA had raised serious issues with
 2 OSI's Management, violations of contractual provisions, and legal
 3 violations relating to acquiring equipment from non-approved countries.
 4 Moreover, the Individual Defendants failed to take the necessary steps to
 5 prevent and/or remedy those deficiencies, proximately causing millions of
 6 dollars in damages to the Company.

7 58. A true and correct copy of the original complaint was delivered
 8 to the Company by Plaintiff before its filing with this Court.

9 59. Plaintiff has not made any demand on the Board to institute
 10 this action because such a demand would be a futile, wasteful, and useless
 11 act, for the following reasons:

12 **I. Defendant Chopra Is Not Independent**

13 60. Demand is excused as to Chopra because he has served as OSI's
 14 President and CEO, pursuant to which he has received substantial
 15 monetary compensation and other valuable benefits. Based thereupon,
 16 OSI's own disclosures (including OSI's 2013 Proxy Statement filed on
 17 October 15, 2013) admit Chopra's lack of independence:

18 The Board of Directors has determined that each of
 19 the directors, except Mr. Chopra and Mr. Mehra, is
 20 independent within the meaning of the rules and
 21 regulations of the U.S. Securities and Exchange
 22 Commission ("SEC") and director independence
 standards of The NASDAQ Stock Market (the
 "Listing Standards"), as currently in effect.

23 61. Accordingly, demand is excused as to Chopra.

24 **II. Defendant Mehra Is Not Independent**

25 62. Demand is excused as to Mehra because his principal
 26 professional occupation is his employment with OSI as President of its
 27 Rapiscan division, pursuant to which he received and continues to receive
 28

1 substantial monetary compensation and other valuable benefits. Similar to
2 Chopra, Defendant Mehra lacks independence based upon NASDAQ
3 director independent standards.

4 63. Accordingly, demand is excused on defendant Mehra.

5 **III. Defendants Chopra, Mehra, and Good Face a Substantial**
6 **Likelihood of Personal Liability and Are Not Disinterested**

7 64. As a result of the actions complained of herein, Chopra,
8 Mehra, and Good each received a material financial benefit that was
9 not shared by OSI's shareholders in that they were able to reap
10 significant profits through the misuse of non-public Company
11 information to which they were privy as a result of their positions as
12 fiduciaries of the Company.

13 65. Defendants Chopra, Mehra, and Good sold large quantities –
14 approximately 109,312 shares – of OSI stock based on the material
15 information that OSI had serious and significant problems with the
16 Rapiscan division, including its problems with the TSA contract. The illicit
17 profits reaped by Chopra, Mehra, and Good were a direct result of OSI's
18 inflated stock price due to the undisclosed problems described herein.
19 When this information became public, OSI's stock price fell precipitously.

20 66. Because Chopra, Mehra, and Good each received significant
21 pecuniary benefits from their wrongdoing, they are incapable of
22 independently and disinterestedly considering a demand to commence
23 and vigorously prosecute this action without being influenced by their
24 overriding personal interest.

25 67. Accordingly, demand is futile and excused as to Chopra, Mehra,
26 and Good.

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IV. Demand Is Futile for the Audit Committee Defendants

68. During the Relevant Period, Ballhaus, Good, and Luskin served as members of the Audit Committee, which is charged with reviewing OSI's financial statements and internal controls. Specifically, the Audit Committee Charter requires Ballhaus, Good, and Luskin to:

(a) "Review with the Company's management, internal auditors and independent auditors the Company's accounting and financial reporting controls."

(b) "Obtain annually in writing from the independent auditors their letter as to the adequacy of such controls."

(c) "Review with the Company's management, internal auditors and independent auditors significant accounting and reporting principles, practices and procedures applied by the Company and management's judgments and estimates in preparing its financial statements."

(d) "Discuss with the independent auditors their judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting."

69. However, Ballhaus, Good, and Luskin breached their fiduciary duties of due care, loyalty, and good faith, because the Audit Committee allowed the internal control deficiencies described herein to occur.

70. Ballhaus, Good, and Luskin have been responsible for and/or failed to rectify OSI's ongoing internal control issues, even when given notice from the TSA regarding a remediation plan. Despite these red flags, the Audit Committee members failed to correct these ongoing issues. The actions of defendants Ballhaus, Good and Luskin are so far removed from the standard of care required of any director, but particularly of an Audit Committee that demand upon them is excused.

V. Defendants Feinberg and Luskin Have Interconnected Personal and Professional Relationships and Thus Cannot Independently Consider a Demand

71. Defendants Feinberg and Luskin both have extensive ties to the UCLA Health System. Defendant Feinberg serves as the President and CEO of UCLA Hospital. Defendant Luskin is a director of the UCLA Foundation and serves on the Board of the Santa Monica – UCLA Medical Center and Orthopedic Hospital. During the Relevant Period, defendant Luskin donated 50,000 shares to UCLA for proceeds of more than \$4 million.

72. As a result of these longstanding professional relationships among themselves, defendants Feinberg and Luskin are incapable of bringing suit against each other on behalf of the Company.

73. Accordingly, demand on Feinberg and Luskin is futile and excused.

VI. All Individual Defendants Face a Substantial Likelihood of Liability for Causing OSI to Disseminate False and Misleading Information

74. The Individual Defendants were responsible for reviewing and approving the Company's financial statements. By authorizing the false financial statements and public statements set forth above, the Individual Defendants were active participants in breaches of candor and duty, and have subjected the Company to, among other things, lawsuits claiming violations of the federal securities laws.

75. A director's breach of the duty of candor is not entitled to protection under the business judgment rule. As a result, any demand upon the Individual Defendants to bring suit against themselves would be a useless and futile act.

76. Because the Security division generates over half of OSI's revenues, and because Rapiscan systems are vital to the Security division's success, Rapiscan systems are OSI's "core product." The Individual

1 Defendants were charged with the knowledge of the Rapiscan-related
2 issues.

3 77. The Individual Defendants' knowing or reckless breaches of
4 fiduciary duty constitute bad faith under Delaware law. Bad-faith conduct
5 is not protected under the business judgment rule. Thus, all Individual
6 Defendants face a substantial likelihood of liability. Demand is thus futile
7 and excused.

8 **VII. Demand Is Futile for Additional Reasons**

9 78. OSI's officers and directors are protected against personal
10 liability for their acts of mismanagement and breach of fiduciary duty
11 alleged in this complaint by directors' and officers' liability insurance,
12 which they caused the Company to purchase for their protection with
13 corporate funds, *i.e.*, monies belonging to the stockholders of OSI.
14 However, the directors' and officers' liability insurance policies covering the
15 Individual Defendants contain provisions that eliminate coverage for any
16 action brought directly by OSI against these defendants, known as the
17 "insured versus insured exclusion."

18 79. As a result, if the Individual Defendants were to sue themselves,
19 there would be no directors' and officers' insurance protection. Thus, the
20 Individual Defendants will not bring such a suit. On the other hand, if the
21 suit is brought derivatively, as this action is brought, such insurance
22 coverage exists and will provide a basis for the Company to effectuate a
23 recovery.

24 80. Accordingly, demand on the Individual Defendants is futile, and
25 therefore, excused.

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COUNT I
Breach of Fiduciary Duties
for Disseminating False and Misleading Information
(Against All Defendants)

81. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

82. As alleged in detail herein, each of the Individual Defendants (and particularly the Audit Committee Defendants) had a duty to ensure that OSI disseminated accurate, truthful and complete information to its shareholders.

83. The Individual Defendants violated their fiduciary duties of care, loyalty, and good faith by causing or allowing the Company to disseminate to OSI shareholders materially misleading and inaccurate information through, *inter alia*, SEC filings and other public statements and disclosures as detailed herein. These actions could not have been a good faith exercise of prudent business judgment.

84. As a direct and proximate result of the Individual Defendants' breaches of fiduciary duties, the Company has suffered significant damages, as alleged herein.

COUNT II
Breach of Fiduciary Duties
for Failing to Maintain Adequate Internal Controls
(Against All Defendants)

85. Plaintiff incorporates by reference all preceding and subsequent paragraphs as if fully set forth herein.

86. As alleged herein, each of the Individual Defendants had a fiduciary duty to, among other things, exercise good faith to ensure that OSI's financial statements were prepared in accordance with GAAP and relevant SEC regulations, and, when put on notice of problems with OSI's

1 business practices and operations, exercise good faith in taking appropriate
2 action to correct the misconduct and prevent its recurrence.

3 87. The Individual Defendants willfully ignored the obvious and
4 pervasive problems with OSI's internal controls practices and procedures
5 and failed to make a good faith effort to correct the problems or prevent
6 their recurrence.

7 88. As a direct and proximate result of the Individual Defendants'
8 foregoing breaches of fiduciary duties, the Company has sustained
9 damages.

10 **COUNT III**
11 **Unjust Enrichment**
12 **(Against Chopra, Mehra, and Good)**

13 89. Plaintiff incorporates by reference and realleges each and every
14 allegation contained above, as though fully set forth herein.

15 90. By their wrongful acts, Chopra, Mehra, and Good were unjustly
16 enriched at the expense of and to the detriment of OSI and it would be
17 unconscionable to allow them to retain the benefits of their illegal conduct.
18 These defendants were unjustly enriched by their receipt of proceeds from
19 their illegal sales of OSI common stock, as alleged herein.

20 91. Plaintiff, as a shareholder of OSI, seeks restitution from these
21 defendants, and each of them, and seeks an order of this Court disgorging
22 all proceeds obtained by Chopra, Mehra, and Good, and each of them, as a
23 result of their wrongful conduct and breaches of fiduciary duties.

24 92. As a result of Chopra, Mehra, and Good's unjust enrichment,
25 OSI has been injured and is entitled to damages.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Against all Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of Defendants' breaches of fiduciary duties;

B. Directing OSI to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect the Company and its shareholders from a repeat of the damaging events described herein, including, but not limited to, putting forward for shareholder vote resolutions for amendments to OSI's By-Laws or Articles of Incorporation and taking such other action as may be necessary to place before shareholders for a vote a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies and guidelines of the Board;

C. Awarding to OSI restitution from Defendants, and each of them, and ordering disgorgement of all profits, benefits and other compensation obtained by the Individual Defendants;

D. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

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DEMAND FOR JURY TRIAL

Plaintiff demands a trial by jury on all issues so triable.

Dated: April 15, 2014

Respectfully submitted,

BOTTINI & BOTTINI, INC.
Francis A. Bottini, Jr. (SBN 175783)
Yury A. Kolesnikov (SBN 271173)

s/ Francis A. Bottini, Jr.
Francis A. Bottini, Jr.

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Counsel for Plaintiff Marc Hagan

VERIFICATION

I, Marc Hagan, verify that I am a shareholder of Nominal Defendant OSI Systems, Inc. (the "Company"). I have reviewed the allegations made in this Complaint. As to those allegations of which I have personal knowledge, I believe them to be true; as to those allegations of which I lack personal knowledge, I rely upon my counsel and counsel's investigation, and believe them to be true. Having received a copy of the Complaint and reviewed it with counsel, I authorize its filing.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: April 4, 2014



Marc Hagan